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SUMMARY

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FAR EAST

	5.	Troop strength in South China may have been reduced:
25X1A		The American Consul General at Hong Kong believes that many Chinese Com- munist troop movements in South China coastal areas are intended to conceal a lack of strength further inland. He cites apparently unnecessary movements of troops along the border of Hong Kong and Macao as evidence of some sort of deceptive plan.
		Comment: There are indications that Chinese Communist troop strength along the South China coast has been greatly reduced in recent months. At least three of the armies stationed in Kwangtung and Fukien Provinces in early 1952 have recently been reported in Korea.
	6.	NEAR EAST - AFRICA Mossadeq reportedly optimistic over oil settlement:
	Г	Topological State of the State
25X1 <i>A</i>	\	Minister of Court Ala told Ambassador Henderson on 18 January that Prime Minister Mossadeq was optimistic over progress toward an oil settlement, but that he was disturbed by internal political squabbling.

Ala stated that the Shah's relations with Mossadeq have improved and that the Shah believes an oil settlement with him would have more authority than one with another Prime Minister.

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25X1A

Comment: It is unlikely that an oil settlement will soon be reached. Mossadeq's distrust of the British and of his political opposition will lead him to a minute examination of plans to end the dispute lest they appear to contain concessions which could be used against him.

WESTERN EUROPE

	7.	Icelandic Foreign Minister postpones negotiations on military facilities:
25X1A		The Icelandic Foreign Minister has concluded that it would be unwise to grant the United States request for additional military facilities before the general elections in June. He is convinced that any pre-election concessions would "materially" strengthen the Communist Party.
		American Minister Lawson believes

that any further protests by him would avail little and that a last resort approach through NATO is "decidedly questionable."

Comment: The Communists, who control about 20 percent of the electorate, consistently try to exploit the widespread xenophobia of the Icelanders. Communist influence and strength is furthered by the fact that the Social Democrats enjoy little support from labor.